# INDIANA STATE OFFICE BUILDING COMMISSION

**(a component unit of the State of Indiana)**

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

**June 30, 2005 and 2004**

# INDIANA STATE OFFICE BUILDING COMMISSION

**(a component unit of the State of Indiana)**

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*Independent Auditors' Report*

Indiana State Office Building Commission
Indianapolis, Indiana

We have audited the accompanying basic financial statements of the Indiana State Office Building Commission, a component unit of the State of Indiana, as of and for the years ended June 30, 2005 and 2004. These basic financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these basic financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Indiana State Office Building Commission at June 30, 2005 and 2004, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States.

The Management's Discussion and Analysis presented on pages 2 through 7 is not a required part of the basic financial statements, but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplemental information. However, we did not audit the information and express no opinion on it.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The comparison of budgeted general and administrative expenditures to actual-cash basis for the years ended June 30, 2005 and 2004, on page 33 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The historical amounts in the comparison have been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Katz, Sapper & Miller, LLP

Indianapolis, Indiana
August 19, 2005

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Indiana State Office Building Commission, we offer readers of the Commission's financial statements this narrative overview and analysis of the financial activities of the Commission for the fiscal year ended June 30, 2005.

### FINANCIAL HIGHLIGHTS

- The assets of the Commission exceeded its liabilities at the close of the most recent fiscal year by $111,261,000 (net assets). Of this amount, $11,329,000 (unrestricted net assets) may be used to meet any of the Commission's ongoing obligations.

- The Commission's total net assets increased by $26,984,000 during the current fiscal year largely due to the continuing trend of the Commission's rental revenues exceeding interest and depreciation expenses. Rental revenue is used to pay expenses including interest and to make scheduled bond principal payments. Scheduled bond principal payments aggregated $24,632,000 during the year ended June 30, 2005.

- The Commission's bonds payable increased by $70,179,000 during the year due to bond proceeds exceeding debt repayments.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the Commission's basic financial statements. The Commission is a component unit of the State of Indiana and is maintained as an internal service fund. Internal service funds are used to report activities that provide goods or services to other funds, departments, or agencies of the primary government and its component units, or to other governments, on a cost-reimbursement basis. An internal service fund is accounted for in a manner similar to a commercial enterprise on the accrual basis of accounting. The Commission's basic financial statements include statements of net assets, statements of revenues, expenses and changes in net assets, statements of cash flows, and the notes to the financial statements. The report also contains other supplementary information in addition to the basic financial statements themselves. All information included in this analysis is presented for the three most recent fiscal years to provide the opportunity for comparison between the years.

The *statements of net assets* present information on all of the Commission's assets and liabilities, with the difference between the two reported as net assets. Over time, increases in net assets may serve as a useful indicator of whether the financial position of the Commission is improving or deteriorating.

The *statements of revenues, expenses and changes in net assets* present information showing how the Commission's net assets changed during each year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

In contrast, the *statements of cash flows* are concerned solely with flows of cash and cash equivalents. Transactions are recorded when cash is received or exchanged, without concern of when the underlying event causing the transactions occurred.

These financial statements can be found on pages 8 - 11 of this report.

The *notes to the financial statements* provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found on pages 12 – 32 of this report.

## OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

In addition to the basic financial statements and accompanying notes, this report also presents a comparison of budgeted general and administrative expenditures-cash basis, on page 33. The comparison is presented for purposes of additional analysis and is not a required part of the basic financial statements.

## FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Commission, assets exceeded liabilities by $111,261,000 at the close of the most recent fiscal year.

**Indiana State Office Building Commission's Net Assets**

| | 2005 | 2004 | 2003 |
|---|---|---|---|
| Current and other assets | $ 222,995,000 | $ 170,927,000 | $176,951,000 |
| Capital assets | 874,994,000 | 834,710,000 | 813,885,000 |
| Total Assets | 1,097,989,000 | 1,005,637,000 | 990,836,000 |
| Current liabilities | $ 64,584,000 | $ 59,017,000 | $ 56,860,000 |
| Noncurrent liabilities | 922,144,000 | 862,343,000 | 873,522,000 |
| Total Liabilities | 986,728,000 | 921,360,000 | 930,382,000 |
| Net Assets: | | | |
| Invested in capital assets, net of related debt | $ 7,443,000 | $ 27,488,000 | $ 6,393,000 |
| Restricted | 89,425,000 | 42,369,000 | 48,407,000 |
| Unrestricted | 14,393,000 | 14,420,000 | 5,654,000 |
| Total Net Assets | $ 111,261,000 | $ 84,277,000 | $ 60,454,000 |

Capital assets have continued to increase over the years as the Commission continues to manage new projects. The increase during the current year is mainly related to construction of the Logansport State Hospital, the Southeast Regional Treatment Center, and the Forensics Lab. As new projects are undertaken and completed, additional bonds are issued in order to fund the projects.

Net assets have increased primarily due to revenue growth. Total revenue has continued to increase due to rental revenue increases from the Indiana Government Center South and Indiana Government Center North. Both of these locations received rental reductions in the prior year, but no reduction was made in the current year. In addition, the revenues related to these funds are greater than the expenses, which include interest and depreciation.

## FINANCIAL ANALYSIS (CONTINUED)

### Indiana State Office Building Commission's Changes in Net Assets

| | 2005 | 2004 | 2003 |
|---|---|---|---|
| Revenues: | | | |
| Rental revenues: | | | |
| Office buildings | $ 32,927,000 | $25,737,000 | $31,141,000 |
| Correctional facilities | 47,490,000 | 47,638,000 | 42,022,000 |
| Parking garages | 6,483,000 | 6,703,000 | 6,523,000 |
| Hospital | 1,932,000 | 1,136,000 | |
| Museum | 6,238,000 | 6,110,000 | 799,000 |
| Interest and other income | 2,951,000 | 907,000 | 1,314,000 |
| Total Revenues | 98,021,000 | 88,231,000 | 81,799,000 |
| Expenses: | | | |
| Interest | $ 44,159,000 | $37,781,000 | $40,063,000 |
| Depreciation and amortization | 25,086,000 | 24,930,000 | 23,881,000 |
| Direct expenses | 1,200,000 | 1,195,000 | 1,554,000 |
| General and administrative | 592,000 | 502,000 | 734,000 |
| Total Expenses | 71,037,000 | 64,408,000 | 66,232,000 |
| Increase in Net Assets | 26,984,000 | 23,823,000 | 15,567,000 |
| Net Assets: | | | |
| Beginning of Year | 84,277,000 | 60,454,000 | 44,887,000 |
| End of Year | $111,261,000 | $84,277,000 | $60,454,000 |

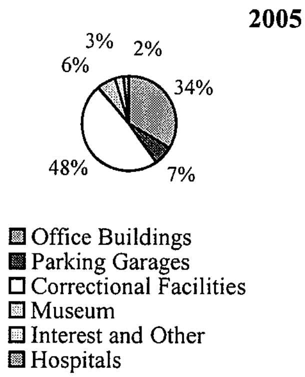
The Commission's net assets increased by $26,984,000 during the current fiscal year compared to $23,823,000 in the prior year, or $3,161,000 over the prior year. Key elements of this $3,161,000 increase in net assets during the current fiscal year over the prior fiscal year are as follows:

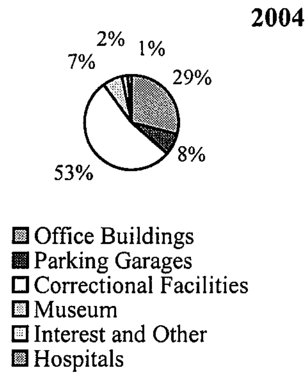
- Rental income increased $7,746,000 during the year. Rental revenue from office buildings increased $7,190,000 due to no rental reductions in the current year whereas rental reductions in the prior year totaled $5,404,000. Interest expense increased $6,378,000 during the year due to the increase related to the Hospitals and Correctional Facilities. The interest expense for the Hospitals increased due to the Logansport Hospital and Southeast Regional Treatment Center recognizing interest expense for the first time. The interest expense for the Correctional Facilities increased due to the Bond Refundings in the prior year. The increase in interest expense partially offset the increase in rental revenue. However, interest income also increased $2,044,000 during the year due to higher interest rates.

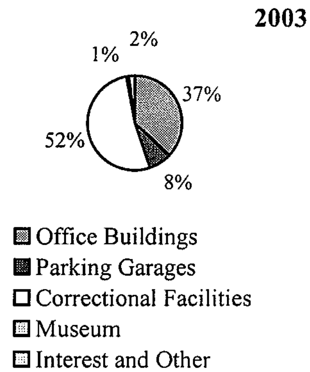
The Commission's net assets increased by $23,823,000 during the fiscal year ended June 30, 2004. The main reason for this increase being more that the fiscal year 2003 was due to the increase in rental income of $6,839,000 in fiscal year 2004.

## FINANCIAL ANALYSIS (CONTINUED)

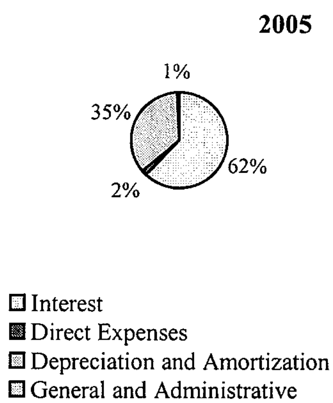
### REVENUES BY SOURCE

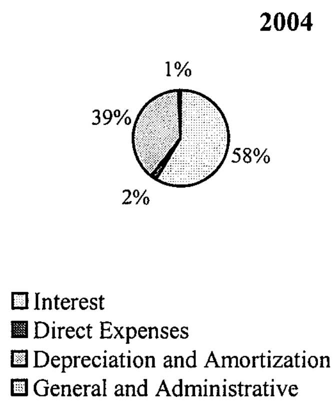


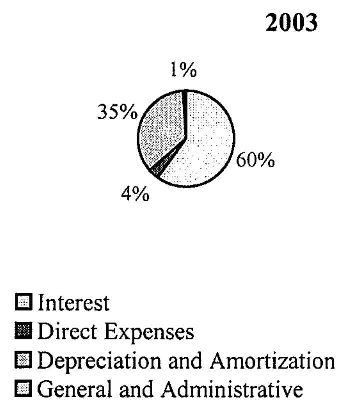




### EXPENSES BY TYPE




### CAPITAL ASSET AND DEBT ADMINISTRATION

***Capital Assets.*** The Commission's investment in capital assets as of June 30, 2005, totaled $874,994,000 (net of accumulated depreciation). This investment in capital assets includes land, construction-in-progress, buildings, improvements, and office furniture and fixtures. The total increase in the Commission's investment in capital assets for the current fiscal year was $40,284,000.

Major capital asset events during the current fiscal year included the following:

- Continued construction of the Logansport State Hospital, Southeast Regional Treatment Center and Forensics Lab. Construction in progress as of the end of the current fiscal year totaled $95,448,000, of which $53,518,000 related to additions during 2005.

## CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)

**State Office Building Commission's Capital Assets**
**(Net of Depreciation)**

| | 2005 | 2004 | 2002 |
|---|---|---|---|
| Land | $ 54,807,000 | $ 49,626,000 | $ 48,099,000 |
| Buildings and improvements | 724,734,000 | 743,145,000 | 730,213,000 |
| Construction in progress | 95,448,000 | 41,931,000 | 35,559,000 |
| Office furniture and fixtures | 5,000 | 8,000 | 14,000 |
| Total | $874,994,000 | $834,710,000 | $813,885,000 |

Additional information on the Commission's capital assets can be found in Note 3 to the financial statements on page 16 of this report.

***Long-term Debt.*** At the end of the current fiscal year, the Commission had revenue bonds payable of $903,941,000 and a Hoosier note payable of $33,935,000. The entire revenue bonds payable amount represents bonds secured solely by specified revenue sources.

**State Office Building Commission's Outstanding Debt**

| | 2005 | 2004 | 2003 |
|---|---|---|---|
| Revenue bonds payable | $903,941,000 | $833,762,000 | $839,144,000 |
| Hoosier note payable | 33,935,000 | 35,800,000 | 45,358,000 |

The Commission's total revenue bonds payable increased by $70,179,000 during the current fiscal year. The increase was the result of new bond proceeds exceeding all bond principal payments.

The Series 2004 D and E Bonds totaling $91,000,000 were issued on behalf of the Commission to finance the remaining costs of the Logansport Hospital and Southeast Regional Treatment Center.

The Commission's total Hoosier note payable decreased $1,865,000 during the current fiscal year. The slight decrease was the result of the proceeds from the Logansport Hospital and Southeast Regional Treatment Center bond issuances being used to payoff the Hoosier notes payable related to these locations coupled with new Hoosier note proceeds issued to finance the construction on the Central Regional Hospital, Northeast Regional Hospital and the Forensics Lab. The Commission's total Hoosier note payable decreased $9,558,000 during the year ended June 30, 2004. The decrease during the year ended June 30, 2004, was the result of the proceeds from the Evansville bond issue being used to pay off the Hoosier note payable related to the Evansville State Hospital.

## CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)

Additional information on the Commission's long-term debt can be found in Note 4 to the financial statements on pages 17 - 28 of this report.

## REQUESTS OF INFORMATION

This financial report is designed to provide a general overview of the Commission's finances for all those with an interest in the Commission's finances. Questions concerning any of the information should be addressed to the Indiana State Office Building Commission, 402 West Washington Street, W478, Indiana Government Center South, Indianapolis, IN 46204-2243.

## INDIANA STATE OFFICE BUILDING COMMISSION

### STATEMENTS OF NET ASSETS
### June 30, 2005 and 2004

| | 2005 | 2004 |
|---|---|---|
| **CURRENT ASSETS** | | |
| Cash and equivalents | $ 7,000,000 | $ 7,227,000 |
| Rent receivable | 8,029,000 | 7,913,000 |
| Other receivables | 12,257,000 | 216,000 |
| Investments-restricted-current | 87,085,000 | 54,646,000 |
| Total Current Assets | 114,371,000 | 70,002,000 |
| **NONCURRENT ASSETS** | | |
| Restricted assets: | | |
| Cash and equivalents | 90,000 | 78,000 |
| Investments | 96,827,000 | 90,812,000 |
| Construction escrows | 2,984,000 | 1,563,000 |
| Interest receivable | 459,000 | 122,000 |
| Capital assets, net of accumulated depreciation | 874,994,000 | 834,710,000 |
| Unamortized bond issue costs, net of accumulated amortization | 8,094,000 | 8,173,000 |
| Deferred charges, net of accumulated amortization | 170,000 | 177,000 |
| Total Noncurrent Assets | 983,618,000 | 935,635,000 |
| **TOTAL ASSETS** | 1,097,989,000 | 1,005,637,000 |
| **CURRENT LIABILITIES** | | |
| Accounts payable and accrued expenses | 341,000 | 425,000 |
| Accounts payable-construction | 4,164,000 | 6,361,000 |
| Amount held for other agency | 5,302,000 | 9,286,000 |
| Accrued interest expense-current | 23,480,000 | 18,313,000 |
| Revenue bonds payable-current | 31,297,000 | 24,632,000 |
| Total Current Liabilities | 64,584,000 | 59,017,000 |
| **NONCURRENT LIABILITIES** | | |
| Construction retention | 2,962,000 | 1,882,000 |
| Amount due federal government | 295,000 | 295,000 |
| Accrued interest expense | 12,308,000 | 15,236,000 |
| Hoosier notes payable | 33,935,000 | 35,800,000 |
| Revenue bonds payable | 872,644,000 | 809,130,000 |
| Total Noncurrent Liabilities | 922,144,000 | 862,343,000 |
| **TOTAL LIABILITIES** | 986,728,000 | 921,360,000 |
| **NET ASSETS** | | |
| Invested in capital assets, net of related debt | 7,443,000 | 27,488,000 |
| Restricted | 89,425,000 | 42,369,000 |
| Unrestricted | 14,393,000 | 14,420,000 |
| **TOTAL NET ASSETS** | $ 111,261,000 | $ 84,277,000 |

*See accompanying notes.*

## INDIANA STATE OFFICE BUILDING COMMISSION

### STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
**Years Ended June 30, 2005 and 2004**

| | 2005 | 2004 |
|---|---|---|
| **REVENUES** | | |
| Rental revenue-use and occupancy agreements: | | |
| Office buildings | $ 32,927,000 | $ 25,737,000 |
| Correctional facilities | 47,490,000 | 47,638,000 |
| Parking garages | 6,483,000 | 6,703,000 |
| Hospital | 1,932,000 | 1,136,000 |
| Museum | 6,238,000 | 6,110,000 |
| Total Revenues | 95,070,000 | 87,324,000 |
| **OPERATING EXPENSES** | | |
| Interest: | | |
| Office buildings | 11,775,000 | 12,086,000 |
| Correctional facilities | 21,806,000 | 19,379,000 |
| Parking garages | 1,974,000 | 2,351,000 |
| Hospital | 4,488,000 | 907,000 |
| Museum | 4,116,000 | 3,058,000 |
| | 44,159,000 | 37,781,000 |
| Direct expenses: | | |
| Office buildings | 294,000 | 281,000 |
| Parking garages | 101,000 | 113,000 |
| Correctional facilities | 639,000 | 612,000 |
| Hospital | 73,000 | 73,000 |
| Museum | 93,000 | 116,000 |
| Depreciation and amortization | 25,086,000 | 24,930,000 |
| General and administrative | 592,000 | 502,000 |
| Total Operating Expenses | 71,037,000 | 64,408,000 |
| Net Operating Income | 24,033,000 | 22,916,000 |
| **INTEREST INCOME** | 2,951,000 | 907,000 |
| **INCREASE IN NET ASSETS** | 26,984,000 | 23,823,000 |
| **NET ASSETS** | | |
| Beginning of Year | 84,277,000 | 60,454,000 |
| End of Year | $ 111,261,000 | $ 84,277,000 |

*See accompanying notes.*

## INDIANA STATE OFFICE BUILDING COMMISSION

### STATEMENTS OF CASH FLOWS
### Years Ended June 30, 2005 and 2004

| | 2005 | 2004 |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Receipts from the Department of Administration | $ 94,954,000 | $ 87,236,000 |
| Payments for direct expenses | (1,221,000) | (1,257,000) |
| Payments for general and administrative expenses | (657,000) | (377,000) |
| Payments for swaption agreement | (12,250,000) | |
| Receipts from other sources | 211,000 | |
| Net Cash Provided by Operating Activities | 81,037,000 | 85,602,000 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Receipts from interest and other income | 570,000 | 919,000 |
| Purchases of investments | (228,140,000) | (470,653,000) |
| Proceeds from sales and maturities of investments | 189,686,000 | 485,166,000 |
| Payments to escrow | (1,532,000) | (808,000) |
| Net Cash Provided (Used) by Investing Activities | (39,416,000) | 14,624,000 |
| **CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES** | | |
| Interest paid on revenue bonds and note payable | (39,014,000) | (39,903,000) |
| Scheduled principal payments on revenue bonds | (24,632,000) | (31,845,000) |
| Restricted assets used to refund bonds | | (364,295,000) |
| Proceeds of revenue bonds | 94,348,000 | 382,635,000 |
| Borrowings on Hoosier notes payable | 39,721,000 | 20,887,000 |
| Payments on Hoosier notes payable | (41,586,000) | (30,445,000) |
| Additions to property and equipment | (65,705,000) | (37,214,000) |
| Payments for bond issue costs | (984,000) | (4,388,000) |
| Expenditures related to Hoosier Safe-T Project | (7,277,000) | |
| Advances from Hoosier Safe-T Project | 6,614,000 | |
| Expenditures related to Family and Social Services Administration | (4,783,000) | (1,768,000) |
| Advances from Family and Social Services Administration | 1,462,000 | 7,500,000 |
| Net Cash (Used) by Financing Activities | (41,836,000) | (98,836,000) |
| **NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS** | (215,000) | 1,390,000 |
| **CASH AND EQUIVALENTS** | | |
| Beginning of Year | 7,305,000 | 5,915,000 |
| End of Year | $ 7,090,000 | $ 7,305,000 |
| **RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES** | | |
| Net operating income | $ 24,033,000 | $ 22,916,000 |
| Adjustments to reconcile net operating income to net cash provided by operating activities: | | |
| Depreciation and amortization | 25,086,000 | 24,930,000 |
| Interest expense | 44,159,000 | 37,781,000 |
| (Increase) decrease in certain assets: | | |
| Rent receivable | (116,000) | (88,000) |
| Prepaid expenses and other assets | (12,041,000) | 96,000 |
| Decrease in certain liabilities: | | |
| Accounts payable and accrued expenses | (84,000) | (33,000) |
| Net Cash Provided by Operating Activities | $ 81,037,000 | $ 85,602,000 |

## INDIANA STATE OFFICE BUILDING COMMISSION

## STATEMENTS OF CASH FLOWS (CONTINUED)
**Years Ended June 30, 2005 and 2004**

| | 2005 | 2004 |
|---|---|---|
| **SUPPLEMENTAL DISCLOSURES** | | |
| Adjustments of additions to property and equipment through an increase (decrease) in accounts payable-construction and construction retention | $ (1,117,000) | $ 6,865,000 |
| Amortization of deferred loss on refunding included in interest expense | $ 3,768,000 | $ 3,787,000 |
| Amortization of bond premium included in other income | $ (3,305,000) | $ (3,065,000) |
| Bonds proceeds reconciliation | | |
| Par value of 2003B Bonds | | $ 31,930,000 |
| Par value of 2004D Bonds | $ 33,995,000 | |
| Par value of 2004E Bonds | 57,005,000 | |
| Bond premium | 3,348,000 | |
| Bond Proceeds | $ 94,348,000 | $ 31,930,000 |
| Activity related to the 2003 Series A, B and C Bonds | | |
| Par value of 2003 A, B and C Bonds | | $ 107,775,000 |
| Bonds refunded (1993A, B and C) | | (110,870,000) |
| Bond issue costs paid | | (1,169,000) |
| Refunded bond issues costs written off | | 1,951,000 |
| Bond premium | | 4,558,000 |
| Restricted assets used to complete revenue bond refunding | | 3,351,000 |
| Accrued interest expense | | (1,423,000) |
| Deferred loss on refunding | | $ 4,173,000 |
| Activity related to the 2003 Series C and D Bonds | | |
| Par value of 2003 Series C and D Bonds | | $ 75,550,000 |
| Bonds refunded (1995A and 1995B) | | (69,190,000) |
| Bond issue costs paid | | (1,089,000) |
| Refunded bond issue costs written off | | 2,413,000 |
| Restricted assets used to complete revenue bond refunding | | 1,555,000 |
| Accrued interest expense | | (1,888,000) |
| Deferred loss on refunding | | $ 7,351,000 |
| Activity related to the 2004 Series A, B and C Bonds | | |
| Par value of 2004 A, B and C Bonds | | $ 142,020,000 |
| Bonds refunded (1999A, 2002A, 2003A) | | (149,150,000) |
| Bonds issue costs paid | | (1,594,000) |
| Refunded bond issue costs written off | | 1,570,000 |
| Bond premium | | 20,802,000 |
| Restricted assets used to complete revenue bond refunding | | 4,137,000 |
| Accrued interest expense | | (1,625,000) |
| Deferred loss on refunding | | $ 16,160,000 |

*See accompanying notes.*

# INDIANA STATE OFFICE BUILDING COMMISSION

## NOTES TO FINANCIAL STATEMENTS

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

***Reporting Entity:*** The Indiana State Office Building Commission ("Commission") was created as a public body corporate and politic by the 1953 Acts of the General Assembly of the State of Indiana, as amended. Among other things, the Commission is authorized to construct and equip such facilities as the Indiana General Assembly may authorize through the issuance of revenue bonds. The Commission has issued debt obligations to provide funds for financing the implementation of the Indiana Government Center Master Plan ("Master Plan"), as well as additional infrastructure and transportation facilities in its vicinity, certain correctional facilities and certain hospitals. The Indiana General Assembly has also authorized the Commission to issue bonds to finance the acquisition costs (including design and construction costs) of the Indiana State Museum. The facilities are rented to the Department of Administration of the State of Indiana ("DOA") under use and occupancy agreements. The State of Indiana has also authorized the Commission to conduct projects to reduce energy consumption costs and other operating costs at qualified state owned institutions.

The Indiana Finance Authority ("Finance Authority") was reconstituted pursuant to amendments made to Indiana Code 4-4-11 *et seq.* As a result of the amendments, the responsibility for the Commission has been consolidated into one entity, the Finance Authority. The Financial Statements reflect the legal and entity structure as in effect prior to the amendments. The new entity structure will take effect on July 1, 2005.

Construction in Indianapolis of the Washington Street Parking Garage, the Senate Avenue Parking Garage, the Indiana Government Center South ("IGC-South"), the Indiana Government Center North ("IGC-North") and the Indiana State Museum has been completed. Construction of the Maximum and Medium Security Correctional Facilities in Carlisle, Indiana, the Rockville Correctional Facility in Rockville, Indiana, the Miami Correctional Facility-Phase I and II in Bunkerhill, Indiana, the Pendleton Juvenile Correctional Facility in Pendleton, Indiana the New Castle Correctional Facility in New Castle, Indiana, and the Evansville State Hospital in Evansville, Indiana has also been completed.

The amount received by the Commission for rent is equal to (a) the expenses to be incurred by the Commission during the fiscal year in managing and administering the facilities and the cost of insurance to be incurred as an expense of the Commission during such fiscal year for the facilities, (b) the aggregate debt service for such fiscal year, as determined pursuant to the revenue bond indentures ("Indentures"), (c) the required deposits, if any, to the debt service reserve during such fiscal year and (d) to the extent authorized or permitted by Indiana Code 4-13.5 ("the Act"), one sixth of such amount as the Commission shall annually estimate, after considering the amount on deposit in the replacement reserve on the first day of such fiscal year, as required to provide for the costs of major nonrecurring maintenance, repairs, improvements, equipment and replacements for the facility to be incurred through the end of the sixth fiscal year commencing on the first day of such fiscal year.

Any bonds issued by the Commission are obligations only of the Commission and are payable solely from and secured exclusively by the pledge of the income of the applicable facility financed. The Commission has no taxing authority, and rental payments by the DOA are subject to and dependent upon appropriations made for such purposes by the Indiana General Assembly.

The State of Indiana, acting by and through the DOA, has the right to purchase the various facilities at a price equal to the redemption value of the revenue bonds outstanding, premium and interest payable and any redemption costs. Upon such date that the revenue bonds are no longer outstanding the related facilities are to be deeded to the State.

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

***Estimates:*** Management uses estimates and assumptions in preparing financial statements in conformity with accounting principles generally accepted in the United States. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

***Basis of Accounting and Financial Statement Presentation:*** The accounting records of the Commission are maintained in accordance with accounting principles generally accepted in the United States applicable to an Internal Service Fund of a governmental entity. An Internal Service Fund is used to account for the financing of goods or services provided by one governmental body to another on a cost-reimbursement basis. The objective of an Internal Service Fund is not to make a profit but rather to recover over a period of time the costs associated with providing the goods or services. An Internal Service Fund is accounted for in a manner similar to a commercial enterprise on the accrual basis of accounting.

***Fund Accounting:*** In accordance with the bond indentures, the accounts of each bond issue are being recorded in a separate general ledger "fund". Revenues collected and expenditures paid, including debt service, are separately accounted for within the respective general ledger fund. For financial reporting purposes, all accounts of the Commission are reported as one Internal Service Fund.

***Revenue Recognition:*** The Commission records the principal portion of its rental income based upon the terms of and payments required by the use and occupancy agreements with the DOA. Rental revenue began accruing on August 1, 1988 for the Washington Street Parking Garage, on June 1, 1991 for IGC-South and Phase I for IGC-North, on December 1, 1991 for the Senate Avenue Parking Garage, on June 1, 1993 for Phase II of IGC-North and the Maximum Security Correctional Facility, on June 1, 1994 for a portion of the Medium Security Correctional Facility and on June 1, 1997 for the remaining portion of the Medium Security Correctional Facility. Rental revenue began accruing on June 1, 1999 for the Rockville Correctional Facility, on June 30, 2001 for the Miami Correctional Facility-Phase I and the Pendleton Juvenile Correctional Facility, on December 31, 2001 for the Miami Correctional Facility-Phase II, on January 1, 2003 for the New Castle Correction Facility, on February 1, 2003 for the Indiana State Museum and on December 1, 2003 for the Evansville State Hospital. Rental revenue will begin accruing on September 1, 2005 for the Logansport State Hospital and December 1, 2005 for the Southeast Regional Treatment Center. Construction of the Forensics Lab, Central Regional Hospital, and Northeast Regional Hospital are in progress.

***Cash and Equivalents:*** For purposes of the statement of cash flows, cash equivalents may include bank time deposits, money market fund shares, certificates of deposit and other short-term investments with original maturities of three months or less. The Commission maintains a cash balance in one bank deposit account which, at times, may exceed federally insured limits. The investment responsibilities for this balance are controlled by another government entity.

***Restricted Assets,*** including the related interest thereon, represent assets designated for expenditure in the acquisition or construction of assets or for the liquidation of revenue bonds payable as specified in the respective bond indenture. The Commission's interest and other investment income primarily relates to these restricted assets.

***Investments*** consist of short-term investment contracts and highly liquid debt instruments that have a remaining maturity at time of purchase of one year or less and are reported at market value.

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

***Capital Assets*** are recorded at cost. Cost includes interest expense, net of interest income, incurred during construction until the related facility is substantially complete and ready for its intended use. Depreciation is recorded by the straight-line method over the following estimated useful asset lives:

| | |
|---|---|
| Buildings and improvements | 15-40 years |
| Office furniture and fixtures | 5-10 years |
| Equipment | 10 years |

***Bond Issue Costs*** aggregating $16,625,000 at June 30, 2005, are being amortized through the maturity date of the respective revenue bond issue using the effective interest method.

During the year ended June 30, 2005, the Commission incurred costs in connection with the issuance of the Series 2004D Revenue Bonds aggregating $404,000 and the Series 2004E Revenue Bonds aggregating $679,000.

During the year ended June 30, 2004, the Commission incurred costs in connection with the issuance of the Series 2003A, B and C (Parking Facilities) Revenue Bonds aggregating $1,399,000, the Series 2003C and D (Correctional Facilities) Revenue Bonds aggregating $1,129,000, the Series 2004A, B and C Revenue Bonds aggregating $1,566,000, and the Series 2003B (Evansville) Revenue Bonds aggregating $64,000.

The Commission also incurred costs aggregating $25,000 and $94,000 during the years ended June 30, 2005 and 2004, respectively, in connection with the issuance of the Hoosier notes payable (see Note 4).

Amortization of bond issue costs was $1,063,000 and $1,013,000 for the years ended June 30, 2005 and 2004, respectively. Bond issue costs recorded as part of the defeased loss during the year ended June 30, 2004 were $5,931,000.

***Deferred Costs*** incurred in connection with the preparation of the Master Plan for the Commission were $261,000. As office building and parking garage facilities are completed, a pro-rata amount based on the total expected costs is allocated to the related facility and then amortized by the straight-line method over the useful life of the asset. During the years ended June 30, 2005 and 2004, amortization of deferred charges was $7,000.

***Long-lived Assets***, including the Commission's property and equipment and intangible assets with determinable lives, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability is measured by comparison of the carrying amount to future net undiscounted cash flows expected to be generated by the related asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount exceeds the fair market value of the assets. To date, no adjustments to the carrying amount of long-lived assets have been required.

***Budgetary Accounting:*** The Commission prepares its budget on the cash basis of accounting.

***Reclassifications:*** Certain amounts in the June 30, 2004 financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

## NOTE 2 - CASH AND INVESTMENTS

All cash and investments are held by, or in the name of, JP Morgan Trust Company, NA, as trustee under certain indentures of trusts (Trust Indentures) pertaining to the Commission and the bonds issued in connection with the Commission. Pursuant to the Commission's enabling statues, the investments permitted by the Trust Indentures represent investment policy choices that make the generally applicable provisions of Indiana Code 5-13 inapplicable to the Commission's investments.

A summary of investments as of June 30, 2005 and 2004 follows:

| | 2005 | | 2004 | |
|---|---|---|---|---|
| | **Fair Value** | **Cost** | **Fair Value** | **Cost** |
| Money market funds | $183,912,000 | $183,912,000 | $145,458,000 | $145,458,000 |

### Investment Type and Interest Rate Risk Disclosure

As of June 30, 2005, the Commission had the following investments and maturities:

| | Investment Maturities (in years) | | | | |
|---|---|---|---|---|---|
| **Investment Type** | **Fair Value** | **Less than 1** | **1 - 5** | **6 - 10** | **More than 10** |
| Money market funds | $183,912,000 | $183,912,000 | | | |

### Custodial Credit Risk

At June 30, 2005, the carrying amount of the Commission's unrestricted cash and equivalents was $7,000,000 and the bank balance was $7,033,000. The bank balance consists of a checking account that is swept into an interest bearing account each night. Of the bank balance, $100,000 was covered by the Federal Depository Insurance Corporation.

### Credit Risk Disclosure

The following table provides information on the credit ratings associated with the Commission's investments in debt securities, excluding obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. Government at June 30, 2005:

| | **S&P** | **Fitch** | **Moody's** | **Fair Value** |
|---|---|---|---|---|
| Money market funds | AAA | AAA | Aaa | $183,912,000 |

### Concentration of Credit Risk

The Commission places no limit on the amount the Commission may invest in any one issuer. The following table shows investments in issuers that represent 5% or more of the total investments at June 30, 2005:

| | |
|---|---|
| JP Morgan Prime Money Market Fund | 100% |

## NOTE 3 - CAPITAL ASSETS

Capital assets activity for the years ended June 30, 2005 and 2004 was as follows:

| | Balance June 30, 2003 | Increases | Decreases | Balance June 30, 2004 | Increases | Decreases | Balance June 30, 2005 |
|---|---|---|---|---|---|---|---|
| Capital assets, not being depreciated: | | | | | | | |
| Land | $ 38,099,000 | $ 1,527,000 | | $ 39,626,000 | $ 5,181,000 | | $ 44,807,000 |
| IMAX Theater | 10,000,000 | | | 10,000,000 | | | 10,000,000 |
| Construction in process | 35,559,000 | 37,045,000 | $ 30,673,000 | 41,931,000 | 53,517,000 | | 95,448,000 |
| Total Capital Assets, Not Being Depreciated | 83,658,000 | 38,572,000 | 30,673,000 | 91,557,000 | 58,698,000 | | 150,255,000 |
| Capital assets, being depreciated: | | | | | | | |
| Buildings and improvements: | | | | | | | |
| Office buildings | 239,748,000 | 2,700,000 | | 242,448,000 | 3,679,000 | | 246,127,000 |
| Parking garages | 41,392,000 | 1,483,000 | | 42,875,000 | 156,000 | | 43,031,000 |
| Correctional facilities | 489,562,000 | 1,891,000 | | 491,453,000 | 753,000 | | 492,206,000 |
| Infrastructure improvements | 20,796,000 | | | 20,796,000 | | | 20,796,000 |
| Museums | 94,183,000 | 90,000 | | 94,273,000 | 236,000 | | 94,509,000 |
| Hospitals | | 30,673,000 | | 30,673,000 | 777,000 | | 31,450,000 |
| Office furniture and fixtures | 358,000 | | | 358,000 | | | 358,000 |
| Total Capital Assets, Being Depreciated | 886,039,000 | 36,837,000 | | 922,876,000 | 5,601,000 | | 928,477,000 |
| Less accumulated depreciation for: | | | | | | | |
| Office buildings | 83,463,000 | 5,652,000 | | 89,115,000 | 5,680,000 | | 94,795,000 |
| Parking garages | 13,516,000 | 1,055,000 | | 14,571,000 | 1,065,000 | | 15,636,000 |
| Correctional facilities | 52,932,000 | 13,120,000 | | 66,052,000 | 13,138,000 | | 79,190,000 |
| Infrastructure improvements | 2,708,000 | 520,000 | | 3,228,000 | 520,000 | | 3,748,000 |
| Museums | 2,849,000 | 2,706,000 | | 5,555,000 | 2,699,000 | | 8,254,000 |
| Hospitals | | 852,000 | | 852,000 | 910,000 | | 1,762,000 |
| Office furniture and fixtures | 344,000 | 6,000 | | 350,000 | 3,000 | | 353,000 |
| Total Accumulated Depreciation | 155,812,000 | 23,911,000 | | 179,723,000 | 24,015,000 | | 203,738,000 |
| Total Capital Assets Being Depreciated, Net | 730,227,000 | 12,926,000 | | 743,153,000 | (18,414,000) | | 724,739,000 |
| Total Capital Assets, Net | $ 813,885,000 | $ 51,498,000 | $ 30,673,000 | $ 834,710,000 | $ 40,284,000 | $ - | $ 874,994,000 |

## NOTE 4 – NONCURRENT LIABILITIES

Revenue bonds payable consisted of the following at June 30, 2005 and 2004:

| | 2005 | 2004 |
|---|---|---|
| *1990 Series A, B and C Bonds:*<br>Pursuant to the Indentures dated October 15, 1987, November 15, 1988 and May 1, 1990, respectively, as amended May 1, 1990 and December 1, 1990, the Commission issued Capital Complex Revenue Bonds in the following amounts: $26,670,000 ("Series 1990A Bonds"), $77,124,000 ("Series 1990B Bonds") and $18,064,000 ("Series 1990C Bonds"). The Series 1990A Bonds were issued to finance the acquisition, design, construction and equipping of the Senate Avenue Parking Garage in Indianapolis. The Series 1990B Bonds were issued on a parity with the 1988 Series Bonds to finance the second phase of the renovation and construction of certain improvements to IGC-North. The Series 1990C Bonds were issued on a parity with the 1987 Series Bonds to finance the completion of the acquisition, design, construction and equipping of IGC-South.<br><br>On September 8, 1993, $33,750,000 of the Current Interest Serial Bonds, $31,555,000 of the Current Interest Term Bonds and $3,459,000 of the Serial Capital Appreciation Bonds were refunded pursuant to the 1993 A, B and C Series Bonds issuance. The accreted value of the Capital Appreciation Bonds is reflected in accrued interest.<br><br>The remaining Series 1990A bonds consist of $6,325,000 Current Interest Term Bonds and $2,284,000 Serial Capital Appreciation Bonds. The remaining Series 1990B Bonds consist of $19,620,000 Current Interest Term Bonds and $7,082,000 Serial Capital Appreciation Bonds. The remaining Series 1990C Bonds consist of $4,285,000 Current Interest Term Bonds and $1,543,000 Serial Capital Appreciation Bonds.<br><br>The Current Interest Term Bonds bear interest at 7.4 percent and mature on July 1, 2015. The Serial Capital Appreciation Bonds bear interest between 7.2 and 7.5 percent per annum with annual maturities beginning July 1, 2000 and ending July 1, 2008. | $38,602,000 | $41,139,000 |

**NOTE 4 – NONCURRENT LIABILITIES (CONTINUED)**

| | 2005 | 2004 |
|---|---|---|
| *1990D Series Bonds:* Pursuant to the indenture dated October 15, 1987, as amended May 1, 1990 and December 1, 1990, the Commission issued Capital Complex Revenue Bonds, Series 1990D ("Series 1990D Bonds") to refund in advance of their stated maturity dates $97,475,000 in certain of the Commission's Capital Complex Revenue Bonds, Series 1987. | | |
| On June 7, 2000, $45,730,000 of the serial bonds and $1,640,000 of the term bonds were refunded pursuant to the 2000 Series B Bonds issuance. | | |
| The remaining Series 1990D Bonds consist of $53,710,000 term bonds. The term bonds bear interest between 6 and 6.9 percent per annum and mature on July 1, 2011 and July 1, 2012. | $53,710,000 | $53,710,000 |
| *1995 Series A and B Bonds:* Pursuant to the indenture dated November 1, 1991, as amended July 1, 1995, the Commission issued Correctional Facilities Program Revenue Bonds, Series 1995A to finance the acquisition, design, construction and equipping of certain correctional facilities. | | |
| On December 2, 2003, $1,795,000 of the serial bonds and $48,510,000 of the term bonds were refunded pursuant to the 2003C Bond issuance. | | |
| The remaining Series 1995A Bonds consist of $1,065,000 serial bonds. The remaining serial bonds bear interest between 4.85 and 4.95 percent per annum with annual maturities of principal beginning July 1, 2004 and ending July 1, 2005. | | |
| Pursuant to the indenture dated November 1, 1991, as amended September 15, 1995, the Commission issued Correctional Facilities Program Revenue Bonds, Series 1995B to finance the acquisition, design, construction and equipping of certain correctional facilities. | | |
| On December 2, 2003, $6,845,000 of the serial bonds and $13,630,000 of the term bonds were refunded pursuant to the 2003D bond issuance. | | |

## NOTE 4 – NONCURRENT LIABILITIES (CONTINUED)

| | 2005 | 2004 |
|---|---|---|
| The remaining Series 1995B Bonds consist of $3,110,000 serial bonds and $19,310,000 term bonds. The remaining serial bonds bear interest between 4.75 and 4.80 percent per annum with annual maturities of principal beginning July 1, 2004 and ending July 1, 2005. The remaining term bonds bear interest at 6.25 percent per annum and mature July 1, 2016. | $21,445,000 | $23,485,000 |
| *1998A Series Bonds:* Pursuant to the indenture dated January 1, 1999, the Commission issued Facilities Revenue Refinance Bonds, Series 1998A ("Series 1998A Bonds"). | | |
| The 1998A Bonds were issued to fully refund the 1991 Series Bonds which were originally issued to finance the acquisition, design, construction and equipping of certain correctional facilities. | | |
| The 1998A Bonds consist of $93,020,000 of serial bonds which bear interest between 3.90 and 5.125 percent per annum with annual maturities of principal beginning July 1, 2003 and ending July 1, 2016. The $74,723,000 and $78,970,000 carrying values represent the Series 1998A Bonds outstanding at June 30, 2005 and 2004, respectively, net of the unamortized loss on defeasance of $2,482,000 and $2,880,000 at June 30, 2005 and 2004, respectively. | 74,723,000 | 78,970,000 |
| *1999A Series Bonds:* Pursuant to the indenture dated June 24, 1999, the Commission issued Facilities Revenue Bonds, Series 1999A ("Series 1999A Bonds"). | | |
| The 1999A Bonds were issued to fund the acquisition, design, construction and equipping of Phase 1 of a medium security correctional facility. | | |
| On February 24, 2004, $47,900,000 of the serial bonds were refunded pursuant to the 2004A Bond issuance. | | |
| The remaining 1999A Bonds consist of $36,360,000 of serial bonds which bear interest between 4.5 and 5.25 percent per annum with annual maturities of principal beginning July 1, 2004 and ending July 1, 2019. | 33,270,000 | 36,360,000 |

## NOTE 4 – NONCURRENT LIABILITIES (CONTINUED)

| | 2005 | 2004 |
|---|---|---|
| *2000 Series A and B Bonds:*<br>Pursuant to the indenture dated June 7, 2000, the Commission issued Facilities Revenue Bonds, Series 2000A ("Series 2000A Bonds").<br><br>The 2000A Bonds were issued to fund the costs of the acquisition, design, construction and equipping of the Pendleton Juvenile Correctional Facility.<br><br>The 2000A Bonds consist of $44,800,000 of serial bonds which bear interest at a variable rate as determined by the remarketing agent, not to exceed 6% per annum, with annual maturities of principal beginning July 1, 2001 and ending July 1, 2020.<br><br>Pursuant to the indenture dated June 7, 2000, the Commission issued Facilities Refunding Revenue Bonds, Series 2000B ("Series 2000B Bonds").<br><br>The 2000B Bonds were issued to partially refund the 1990D Bonds which were originally issued to finance the acquisition, design, construction and equipping of a portion of a new state office building facility.<br><br>The 2000B Bonds consist of $43,400,000 of Serial Bonds which bear interest that fluctuate based on the market rate, not to exceed 6% per annum, with annual maturities of principal beginning July 1, 2001 and ending July 1, 2012. The $21,510,000 and $28,484,000 carrying value represents the 2000B Bonds outstanding at June 30, 2005 and 2004, respectively, net of the unamortized loss on defeasance of $590,000 and $716,000 at June 30, 2005 and 2004, respectively. | $59,710,000 | $68,384,000 |
| *2001A Series Bonds:*<br>Pursuant to the amended and restated Trust Indenture dated as of January 1, 1998, the Commission issued Facilities Revenue Bonds, Series 2001A ("Series 2001A Bonds").<br><br>The 2001A Bonds were issued to fund the remaining costs associated with the acquisition, design, construction, and equipping of the Miami Correctional Facility. | | |

## NOTE 4 – NONCURRENT LIABILITIES (CONTINUED)

| | 2005 | 2004 |
|---|---|---|
| The 2001A Bonds consist of $66,600,000 of serial bonds, which bear interest at a variable rate as determined by the remarketing agent, not to exceed 6% per annum, with annual maturities of principal beginning July 4, 2003 and ending July 4, 2022. | $62,900,000 | $64,800,000 |
| *2002A Series Bonds:*<br>Pursuant to the amended and restated Trust Indenture dated as of January 1, 1998, the Commission issued facilities Revenue Bonds, Series 2002A ("Series 2002A Bonds"). | | |
| The 2002A Bonds were issued to fund the remaining costs associated with the acquisition, design, construction, and equipping of the New Castle Correctional Facility. | | |
| On February 24, 2004, $65,745,000 of the serial bonds were refunded pursuant to the 2004B Bond issuance. | | |
| The remaining 2002A Bonds consist of $60,715,000 of serial bonds, which bear interest between 3.125 and 5.250 percent per annum, with annual maturities of principal beginning July 1, 2006 and ending July 1, 2022. | 60,715,000 | 60,715,000 |
| *2003A Series Bonds:*<br>Pursuant to the amended and restated trust indenture dated as of January 1, 1998, the Commission issued Facilities Revenue Bonds, Series 2003A ("Series 2003A Bonds"). | | |
| The 2003A Bonds were issued to fund the remaining costs associated with the acquisition, design, construction, and equipping of the Indiana State Museum. | | |
| On February 24, 2004, $35,505,000 of the serial bonds were refunded pursuant to the 2004C Bond issuance. | | |
| The remaining 2003A Bonds consist of $48,025,000 of serial bonds which bear interest between 2.5 and 5.0 percent per annum with annual maturities of principal beginning July 1, 2004 and ending July 1, 2023. | 47,085,000 | 48,025,000 |

## NOTE 4 – NONCURRENT LIABILITIES (CONTINUED)

| | 2005 | 2004 |
|---|---|---|

*2003 Series A, B and C Bonds:*
Pursuant to the amended and restated Trust Indenture dated as of August 1, 1993, the Commission issued Capitol Complex Revenue Bonds, Series 2003A (Indiana Government Center Parking Facilities) ("2003A Bonds"), Capitol Complex Revenue Bonds, Series 2003B (Indiana Government Center North) ("2003B Bonds"), and the Capitol Complex Revenue Bonds, Series 2003C (Indiana Government Center South) ("2003C Bonds").

The 2003A Bonds were issued to fully refund the 1993A Series Bonds, which were issued to fully refund the 1986 Series Bonds and to partially refund the 1990A Series Bonds, which were originally issued to finance the acquisition, design, and construction of the Washington Street and Senate Avenue parking garages, respectively.

The 2003A Bonds consist of $26,735,000 serial bonds which bear interest between 2.5 and 4.25 percent per annum with annual maturities of principal beginning July 1, 2004 and ending July 1, 2015. The $25,154,000 and $25,488,000 carrying value represents the Series 2003A Bonds outstanding at June 30, 2005 and 2004, respectively, net of unamortized loss on defeasance of $956,000 and $1,247,000 at June 30, 2005 and 2004, respectively.

The 2003B Bonds were issued to fully refund the 1993B Series Bonds, which were issued to fully refund the 1988 Series Bonds and to partially refund the 1990B Series Bonds, which were originally issued to finance the renovation and construction of IGC-North.

The 2003B Bonds consist of $73,205,000 serial bonds which bear interest between 2.5 and 5.25 percent per annum with annual maturities of principal beginning July 1, 2005 and ending July 1, 2015. The $68,131,000 and $67,168,000 carrying value represents the Series 2003B Bonds outstanding at June 30, 2005 and 2004, respectively, net of unamortized loss on defeasance of $5,074,000 and $6,037,000 at June 30, 2005 and 2004, respectively.

The 2003C Bonds were issued to fully refund the 1993C Series Bonds, which were issued to fully refund the 1987 Series Bonds and to partially refund the 1990C Series Bonds, which were originally issued to finance the acquisition, design, and construction of IGC - South.

## NOTE 4 – NONCURRENT LIABILITIES (CONTINUED)

| | 2005 | 2004 |
|---|---|---|
| The 2003C Bonds consist of $7,835,000 serial bonds which bear interest between 2.5 and 4.25 percent per annum with annual maturities of principal beginning July 1, 2004 and ending July 1, 2015. The $7,261,000 and $7,217,000 carrying value represents the Series 2003C Bonds outstanding at June 30, 2005 and 2004, respectively, net of unamortized loss on defeasance of $519,00 and $618,000 at June 30, 2005 and 2004, respectively. | $100,547,000 | $99,873,000 |
| *2003B Series Bonds:* Pursuant to the amended and restated Trust Indenture dated as of January 1, 1998, the Commission issued Facilities Revenue Bonds, Series 2003B (Evansville State Hospital) ("Series 2003B Bonds"). | | |
| The 2003B Bonds were issued to finance the remaining costs of constructing and equipping the Evansville State Hospital and to finance the acquisition, design, construction and equipping of a mental health facility. | | |
| The 2003B Bonds consist of $24,925,000 serial bonds and $7,005,000 term bonds. The serial bonds bear interest between 2.5 and 5.00 percent per annum with annual maturities of principal beginning July 1, 2006 and ending July 1, 2021. The term bonds bear interest at 5.00 percent per annum and mature on July 1, 2024. | 31,930,000 | 31,930,000 |
| *2003 Series C and D Bonds:* Pursuant to the amended and restated Trust Indenture dated as of January 1, 1998, the Commission issued Facilities Revenue Refunding Bonds, Series 2003C (Wabash Valley Correctional Facility) ("2003C Bonds") and Facilities Revenue Refunding Bonds, Series 2003D (Rockville Correctional Facility) ("2003D Bonds"). | | |
| The 2003C Bonds were issued to partially refund the 1995A Bonds which were originally issued to finance the acquisition, design, construction and equipping of certain correctional facilities. | | |
| The 2003C Bonds consist of $55,075,000 serial bonds which bear interest at 2 percent per annum through January 2006 and at 3 percent per annum through July 2020 with annual maturities of principal beginning July 1, 2010 and ending July 1, 2020. The $49,803,000 and $49,405,000 carrying value represents the Series 2003C Bonds outstanding at June 30, 2005 and 2004, respectively, net of unamortized loss on defeasance of $5,272,000 and $5,670,000 at June 30, 2005 and 2004, respectively. | | |

## NOTE 4 – NONCURRENT LIABILITIES (CONTINUED)

| | 2005 | 2004 |
|---|---|---|
| The 2003D Bonds were issued to partially refund the 1995B Bonds which were originally issued to finance the acquisition, design, construction and equipping of certain correctional facilities. | | |
| The 2003D Bonds consist of $20,475,000 serial bonds which bear interest at 2 percent per annum through January 2006 and at 3 percent per annum through July 2020 with annual maturities of principal beginning July 1, 2006 and ending July 1, 2020. The $19,380,000 and $19,274,000 carrying value represents the Series 2003D Bonds outstanding at June 30, 2005 and 2004, respectively, net of unamortized loss on defeasance of $1,095,000 and $1,201,000 at June 30, 2005 and 2004, respectively. | $69,183,000 | $68,679,000 |
| *2004 Series A, B and C Bonds:* Pursuant to the amended and restated Trust Indenture dated as of January 1, 1998, the Commission issued Facilities Revenue Refunding Bonds, Series 2004A ("Series 2004A Bonds"), Facilities Revenue Refunding Bonds, Series 2004B ("Series 2004B Bonds"), and Facilities Revenue Refunding Bonds, Series 2004C ("Series 2004C Bonds"). | | |
| The 2004A Bonds were issued to partially refund the 1999A Series Bonds which were originally issued to finance the acquisition, design, construction, and equipping of Phase 1 of a medium security correctional facility. | | |
| The 2004A Bonds consist of $255,000 serial bonds and $45,925,000 term bonds. The serial bonds bear interest between 2.000 and 2.375 percent per annum with annual maturities of principal beginning July 1, 2006 and ending July 1, 2009. The term bonds bear interest at 5.25 percent per annum and mature on July 1, 2017. The $41,970,000 and $41,425,000 carrying value represents the Series 2004A Bonds outstanding at June 30, 2005 and 2004, respectively, net of unamortized loss on defeasance of $4,210,000 and $4,755,000 at June 30, 2005 and 2004, respectively. | | |
| The 2004B Bonds were issued to partially refund the 2002A Series Bonds which were originally issued to finance the remaining costs associated with the acquisition, design, construction, and equipping of the New Castle Correctional Facility. | | |
| The 2004B Bonds consist of $61,890,000 term bonds which bear interest at 5.25 percent per annum and mature July 1, 2020. The $55,948,000 and $55,394,000 carrying value represents the Series 2004B Bonds outstanding at June 30, 2005 and 2004, respectively, net of unamortized loss on defeasance of $5,942,000 and $6,496,000 at June 30, 2005 and 2004, respectively. | | |

## NOTE 4 – NONCURRENT LIABILITIES (CONTINUED)

| | 2005 | 2004 |
|---|---|---|
| The 2004C Bonds were issued to partially refund the 2003A Series Bonds which were originally issued to finance the remaining costs associated with the acquisition, design, construction, and equipping of the Indiana State Museum. | | |
| The 2004C Bonds consist of $150,000 serial bonds and $33,800,000 term bonds. The serial bonds bear interest between 2.875 and 3.250 percent per annum with annual maturities of principal beginning July 1, 2011 and ending July 1, 2013. The term bonds bear interest at 5.25 percent per annum and mature on July 1, 2020. The $30,716,000 and $30,428,000 carrying value represents the Series 2004C Bonds outstanding at June 30, 2005 and 2004, respectively, net of unamortized loss on defeasance of $3,234,000 and $3,522,000 at June 30, 2005 and 2004, respectively. | $128,634,000 | $127,247,000 |
| *2004 Series D and E Bonds:* In September 2004, pursuant to the amended and restated Trust Indenture dated as of January 1, 1998, the Commission issued Facilities Revenue Bonds, Series 2004D ("Series 2004D Bonds") and Facilities Revenue Bonds, Series 2004E ("Series 2004E Bonds"). | | |
| The 2004D Bonds were issued to fund the remaining costs associated with the acquisition, design, construction, and equipping of Logansport State Hospital. | | |
| The 2004D Bonds consist of $26,025,000 serial bonds and $7,790,000 term bonds. The serial bonds bear interest between 3.00 and 5.00 percent per annum with annual maturities of principal beginning July 1, 2008 and ending July 1, 2025. The term bonds bear interest at 5.00 percent per annum and mature on July 1, 2016 and July 1, 2027. | | |
| The 2004E Bonds were issued to fund the remaining costs associated with the acquisition, design, construction, and equipping of Southeast Regional Treatment Center. | | |
| The 2004E Bonds consist of $57,005,000 serial bonds. The serial bonds bear interest between 3.00 and 5.00 percent per annum with annual maturities of principal beginning July 1, 2008 and ending July 1, 2027. | 91,000,000 | |
| | 873,453,000 | 803,317,000 |
| Plus: Unamortized premium | 30,488,000 | 30,445,000 |
| Total Revenue Bonds | 903,941,000 | 833,762,000 |
| Hoosier Notes Payable | 33,935,000 | 35,800,000 |
| Total Revenue Bonds and Notes Payable | $ 937,876,000 | $869,562,000 |

## NOTE 4 – NONCURRENT LIABILITIES (CONTINUED)

The Series 2000A and B Bonds and Series 2001A Bonds provide for the interest rate, as determined by the remarketing agent, to be capped at a maximum of 6% through June 30, 2007. The total Series 2000A, 2000B and 2001A Bonds outstanding at June 30, 2005 were $38,200,000, $21,510,000 and $62,900,000, respectively.

Interest on the bonds outstanding of the 1990 Series A, B, C and D, 1995 Series A and B Current Interest Term and Serial Bonds, 1998 Series A, 1999 Series A, 2002 Series A, 2003 Series A, 2003 Series B, 2003 Series C and D (Correctional Facilities), 2003 Series A, B and C (Parking Facilities), 2004 Series A, B and C and 2004 Series D and E is payable on January 1 and July 1 of each year. Interest on the bonds outstanding of the 2000 Series A and B and 2001 Series A is payable monthly. Interest on the 1990 Series A, B and C Serial Capital Appreciation Bonds is payable only upon maturity or redemption.

Each bond series, excluding bonds previously defeased, is secured by and payable solely from certain revenues and funds of the Commission pledged for such payment under the Indentures and comprised principally of the rental payments to be received from or on behalf of the State acting through DOA under the related use and occupancy agreements. In addition, each bond series is secured by mortgages to the Trustee for the Commission's rights, title and interest in certain facilities.

Rentals are not payable until the facility subject to the use and occupancy agreement is available for use and occupancy.

The Hoosier Notes agreement provides interim financing for the acquisition and construction of the various facilities. On October 31, 2002, the Commission amended and restated the Hoosier Notes credit agreement originally dated February 18, 1998, which reduced the maximum advance of tax exempt commercial paper from $200,000,000 to $150,000,000.

Borrowings outstanding under this facility at June 30, 2005 and 2004, were $33,935,000 and $35,800,000, respectively, with interest computed at the LIBOR rate plus .25% or 70% of the Bank's prime lending rate. The interest rate in effect ranged from 1.15-2.47% at June 30, 2005 and 0.93-1.01% at June 30, 2004. Accrued interest payable at June 30, 2005 and 2004 was $0. The credit facility expires on December 31, 2005. Upon completion of construction on the various facilities, the Commission plans to issue bonds to fund the outstanding balance of the Hoosier Notes.

## NOTE 4 – NONCURRENT LIABILITIES (CONTINUED)

To provide funds to help finance the completion of construction of the Commission's various facilities, the Commission has a $150,000,000 revolving credit facility on which there were no outstanding borrowings at June 30, 2005. Accrued interest is due and payable quarterly. The credit facility expires on December 31, 2005.

The credit facility agreement, which was formally amended effective October 31, 2003, provides for a non-use fee, payable quarterly, computed as .12% per annum of the average unused portion of the outstanding credit facility through February 1, 2004 and .13% per annum from February 1, 2004 through December 31, 2005. The aggregate non-use fee incurred and capitalized during the years ended June 30, 2005 and 2004 was $180,000 in each year.

Debt service requirements to maturity were as follows (including revenue bonds and notes payable) as of June 30, 2005:

| Year Ending June 30, | Principal | Interest | Total |
|---|---|---|---|
| 2006 | $ 31,297,000 | $ 47,527,000 | $ 78,824,000 |
| 2007 | 74,940,000 | 49,077,000 | 124,017,000 |
| 2008 | 44,487,000 | 48,823,000 | 93,310,000 |
| 2009 | 49,359,000 | 46,473,000 | 95,832,000 |
| 2010 | 49,895,000 | 41,978,000 | 91,873,000 |
| 2011-2015 | 286,320,000 | 172,835,000 | 459,155,000 |
| 2016-2020 | 254,090,000 | 136,165,000 | 390,255,000 |
| 2021-2025 | 126,750,000 | 32,787,000 | 159,537,000 |
| 2026-2028 | 19,624,000 | 1,504,000 | 21,128,000 |
| | 936,762,000 | 577,169,000 | 1,513,931,000 |
| Add: Premium on bonds payable | 30,488,000 | | 30,488,000 |
| Less: Loss on defeasance | 29,374,000 | | 29,374,000 |
| Total | $937,876,000 | $577,169,000 | $1,515,045,000 |

In summary, long-term debt as of June 30, 2005 consisted of the following:

| Interest Rates Range | Annual Maturity Range | Payment Range | Principal |
|---|---|---|---|
| 2.0% - 7.5% | 2006 – 2028 | $10,000 - $11,625,000 | $937,876,000 |

Interest incurred during the years ended June 30, 2005 and 2004, aggregated $43,077,000 and $41,143,000, respectively, of which $485,000 and $297,000, respectively, were capitalized.

## NOTE 4 - NONCURRENT LIABILITIES (CONTINUED)

Noncurrent liability activity for the years ended June 30, 2005 and 2004, was as follows:

| | Balance June 30, 2003 | Increases | Decreases | Balance June 30, 2004 | Amounts Due Within One Year | Amounts Due Thereafter |
|---|---|---|---|---|---|---|
| Construction retention | $ 1,235,000 | $ 842,000 | $ 195,000 | $ 1,882,000 | | $ 1,882,000 |
| Amount due federal government | 295,000 | | | 295,000 | | 295,000 |
| Hoosier notes payable | 45,358,000 | 20,887,000 | 30,445,000 | 35,800,000 | | 35,800,000 |
| Revenue bonds payable | 839,144,000 | 381,458,000 | 386,840,000 | 833,762,000 | $ 24,632,000 | 809,130,000 |
| Accrued interest expense | 40,195,000 | | 6,646,000 | 33,549,000 | 18,313,000 | 15,236,000 |
| | $ 926,227,000 | $ 403,187,000 | $ 424,126,000 | $ 905,288,000 | $ 42,945,000 | $ 862,343,000 |

| | Balance June 30, 2004 | Increases | Decreases | Balance June 30, 2005 | Amounts Due Within One Year | Amounts Due Thereafter |
|---|---|---|---|---|---|---|
| Construction retention | $ 1,882,000 | $ 1,245,000 | $ 165,000 | $ 2,962,000 | | $ 2,962,000 |
| Amount due federal government | 295,000 | | | 295,000 | | 295,000 |
| Hoosier notes payable | 35,800,000 | 39,721,000 | 41,586,000 | 33,935,000 | | 33,935,000 |
| Revenue bonds payable | 833,762,000 | 91,043,000 | 20,864,000 | 903,941,000 | $ 31,297,000 | 872,644,000 |
| Accrued interest expense | 33,549,000 | 2,239,000 | | 35,788,000 | 23,480,000 | 12,308,000 |
| | $ 905,288,000 | $ 134,248,000 | $ 62,615,000 | $ 976,921,000 | $ 54,777,000 | $ 922,144,000 |

## NOTE 5 - AMOUNT DUE FEDERAL GOVERNMENT

A governmental entity may engage in arbitrage by borrowing tax-exempt funds at one interest rate and investing those funds at a higher rate. Under Section 148(f)(2) of the Internal Revenue Code and Section 1.148-0 through -9 issued by the U.S. Treasury Department, arbitrage profits (i.e., interest earned on unexpended tax-exempt bond proceeds) must be rebated to the federal government under certain conditions. All outstanding bonds are subject to these rebate provisions. In addition, at the time the Series 1990A, 1990B and 1990C Bonds were issued, an election was made by the Commission to make a penalty payment in lieu of rebate on the construction portion of the issue if certain spend-down requirements were not met at six month intervals. The in lieu penalty payments are payable semi-annually and the arbitrage profit rebate amount is estimated on an annual basis and is payable every five years or upon maturity. Rebate and in lieu penalty amounts owed at June 30, 2005 and 2004, aggregated $295,000. There were no payments during the years ended June 30, 2005 and 2004.

## NOTE 6 - RENTAL REVENUE

All 2005 and 2004 rental revenue was received in connection with use and occupancy agreements with the Indiana Department of Administration. Based upon the provisions of the use and occupancy agreements, the initial term of those agreements has been extended through June 30, 2005. As of June 30, 2005, supplemental agreements adjusting the rentals to be received by the Commission provide for minimum future rentals to be received by the Commission aggregating $101,258,000 for the year ending June 30, 2006.

## NOTE 7 - DEBT DEFEASANCE

Pursuant to prior advance refundings, the Commission had $524,085,000 of defeased revenue bonds outstanding at June 30, 2005. In accordance with generally accepted accounting principles, these amounts are not included in the accounts of the Commission. Aggregate principal maturities of the Commission's defeased revenue bonds payable in each of the next five years as of June 30, 2005, are as follows:

| Payable In Year Ending June 30, | Principal Amount |
|---|---|
| 2006 | $28,915,000 |
| 2007 | 27,470,000 |
| 2008 | 25,410,000 |
| 2009 | 27,105,000 |
| 2010 | 34,080,000 |

## NOTE 8 - LEASE AGREEMENTS

In March of 1995, the Commission entered into a twenty-five year land lease agreement with the White River State Park Development Commission (WRSPDC) to lease a portion of the White River State Park in Indianapolis from WRSPDC for $1 per year while providing in excess of $15,000,000 of infrastructure improvements. These improvements will remain the property of the Commission until such time as the lease is terminated or expires.

On April 14, 1998, the Commission purchased the IMAX Theatre building and land in White River State Park from the State of Indiana for $10,000,000. Additionally, the Commission entered into a one hundred-year land lease agreement to lease certain real estate surrounding the IMAX Theatre building from the State of Indiana for $1 per year. This real estate was required to be used to construct the Indiana State Museum and a parking garage.

## NOTE 9 - ENERGY SAVINGS PROJECTS

Effective July 1, 1997, the State of Indiana authorized the Commission to manage projects to reduce energy consumption costs and other operating costs at qualified state owned institutions. The Commission has committed to expend $3,842,000 towards these projects which will be funded by the State of Indiana. As of June 30, 2005, the Commission had received $3,842,000 for this project and had expended $3,674,000. The remaining amount to be expended of $168,000 is reported on the Commission's statement of net assets as a restricted net asset.

## NOTE 10 - FSSA AND STATE BUDGET AGENCY AGREEMENTS

The Commission has an agreement with the Indiana Family and Social Services Administration (FSSA), whereby the FSSA has advanced the Commission $5,270,000 for additional enhancements to the Logansport State Hospital. As of June 30, 2005, the Commission had expended $1,698,000. The remaining amount to be expended by the Commission totaled $3,572,000 and was recorded as a liability at June 30, 2005.

The Commission has an agreement with FSSA, whereby FSSA advanced the Commission $4,275,000 for additional enhancements to the Southeast Regional Treatment Center. As of June 30, 2005, the Commission had expended the entire amount. There is no remaining liability at June 30, 2005.

The Commission has an agreement with the Indiana State Budget Agency (Agency), whereby the Agency advanced the Commission $1,462,000 for additional enhancements to the Forensics Lab. As of June 30, 2005, the Commission had not expended the money, so a liability of $1,462,000 was recorded.

The Commission has an agreement with the Department of Health (DOH), whereby the DOH advanced the Commission $70,000 for additional enhancements to the Forensics Lab. As of June 30, 2005, the Commission had not expended the money, so a liability of $70,000 was recorded.

## NOTE 11 - HOOSIER SAFE-T PROJECT

The Commission has lease agreements with certain municipalities, state agencies and private enterprises related to the Hoosier Safe-T Project to provide a statewide voice and data communications system, including the financing thereof, through the issuance or sale of bonds or notes. The Commission may not ultimately finance this transaction. The Commission has received a $20,314,000 appropriation for this project from the Integrated Public Safety Commission. As of June 30, 2005, the Commission had expended $20,116,000. The remaining amount to be expended by the Commission totaled $198,000 and was recorded as a liability at June 30, 2005.

## NOTE 12 – OTHER RECEIVABLES

The Commission invested $12,250,000 in a swap option transaction for the purpose of locking in an effective maximum interest rate on the Indiana Finance Authority Bonds to be allocated to the Stadium and Convention Center Projects. The amount was recorded as a receivable at June 30, 2005, and is expected to be repaid in 2006.

## NOTE 13 - RETIREMENT PLAN

The Commission contributes to the Indiana Public Employee's Retirement Fund (PERF), an agent multiple-employer retirement system that acts as a common investment and administrative agent for units of state and local government in Indiana. PERF was created and is governed by state statutes I.C.S. 5-10.2 and 5-10.3. As such, it is PERF's responsibility to administer the law in accordance with the expressed intent of the Indiana General Assembly. The Plan is qualified under the Internal Revenue Code Section 401(a) and is tax exempt.

## NOTE 13 - RETIREMENT PLAN (CONTINUED)

PERF is a contributory defined benefit plan which covers substantially all Commission employees. PERF retirement benefits vest after 10 years of service. Effective July 1, 1995, Senate Bill 74 enabled PERF participants to be eligible for early retirement with 100% of the defined benefit pension if certain conditions are met. A participant may retire with full benefits at age 60 with 15 or more years of service, or at age 55 if the participant's age plus years of service equals 85 or more (Rule of 85). If neither of the above conditions are met, a participant may retire with 100% of the defined pension at age 65 with 10 or more years of service. This annual pension benefit is equal to 1.1% times the average annual salary times the number of years and months of PERF-covered employment. The average annual salary used for calculating the pension benefit is an average of the participant's highest five years of employment earnings within the 10 years preceding retirement. Participants who retire between the ages of 50 an 65 with 15 or more years of service receive a pension benefit that is reduced by various percentages according to the participant's age.

PERF Participants have two choices regarding their annuity savings account. They may elect to receive the contributions and accumulated earnings in a lump sum at retirement, or, they may choose to receive the annuity amount as a monthly supplement to their employer-provided pension described in the paragraph above.

PERF issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to PERF, Harrison Building, Suite 800, 143 West Market Street, Indianapolis, Indiana 46204.

The Commission contributes the participant' required contribution of 3% of their annual salaries to an annuity savings account that may be withdrawn at any time with interest should a participant terminate employment. The Commission is required by State statute to contribute at an actuarially determined rate. The current rate is 5% of annual covered payroll. The contribution requirements of PERF participants are determined by State statute.

The PERF funding policy provides for actuarially determined periodic contributions at rates that, for individual participants, increase gradually over time so that sufficient assets will be available to pay benefits when due. The rate for the Commission's PERF participant group as a whole has tended to remain level as a percentage of annual covered payroll. The required contributions were determined as part of the June 30, 2004 actuarial valuation using the entry age normal cost method. The asset valuation method is 75% of expected actuarial value plus 25% of market value. The actuarial assumptions included (a) a rate of return on investment of present and future assets of 7.25% per year, compounded annually; (b) projected salary increases based on PERF experience from 1995 to 2000 (revised from 5%); and (c) assumed annual post retirement benefit increases of 2.00%. PERF uses the level percentage of payroll method to amortize the unfunded liability over a closed 40-year period.

**NOTE 13 - RETIREMENT PLAN (CONTINUED)**

Historical trend information as of the three most recent years available about the Commission's participation in PERF is presented below to help readers assess the Plan's funding status on a going-concern basis and assess progress being made in accumulating assets to pay benefits when due. Information for the June 30, 2005 actuarial valuation is not available.

| Valuation Date | Annual Pension Cost (APC) | Percentage of APC Contributed | Net Pension Obligation |
|---|---|---|---|
| June 30, 2004 | $10,000 | N/A | $(30,000) |
| June 30, 2003 | 14,000 | N/A | (18,000) |
| June 30, 2002 | 13,000 | N/A | (10,000) |

| Valuation Date | (1) Actuarial Value of Assets | (2) Entry Age Actuarial Accrued Liability | (2-1) Assets in Excess of Accrued Liability (AEAAL) | (1/2) Funded Ratio | (3) Annual Covered Payroll | [(2-1)/3] AEAAL as a Percentage of Coverage Payroll |
|---|---|---|---|---|---|---|
| June 30,2004 | $519,000 | $488,000 | $(31,000) | 106% | $384,000 | -8% |
| June 30,2003 | 344,020 | 308,000 | (36,000) | 112% | 275,000 | -13% |
| June 30,2002 | 522,000 | 453,000 | (69,000) | 115% | 389,000 | -18% |

# INDIANA STATE OFFICE BUILDING COMMISSION

## COMPARISON OF BUDGETED GENERAL AND ADMINISTRATIVE EXPENDITURES TO ACTUAL-CASH BASIS
### Years Ended June 30, 2005 and 2004

| | 2005 | | 2004 | |
|---|---|---|---|---|
| | **Actual** | **Budget** | **Actual** | **Budget** |
| Salaries and wages | $ 372,000 | $ 431,000 | $ 208,000 | $ 422,000 |
| Benefits | 127,000 | 197,000 | 103,000 | 172,000 |
| Other service fees | 7,000 | 99,000 | 35,000 | 99,000 |
| Professional fees | 119,000 | 143,000 | 96,000 | 138,000 |
| Office supplies | 7,000 | 13,000 | 11,000 | 12,000 |
| Telephone | 8,000 | 9,000 | 10,000 | 8,000 |
| Employee travel and seminars | 5,000 | 9,000 | 3,000 | 8,000 |
| Per diem expense | 1,000 | 3,000 | 2,000 | 3,000 |
| Miscellaneous | 14,000 | 23,000 | 8,000 | 22,000 |
| **CASH BASIS EXPENDITURES** | 660,000 | $ 927,000 | 476,000 | $ 884,000 |
| Net Change in Accrued Expenses | (68,000) | | 26,000 | |
| **ACCRUAL BASIS EXPENSES** | $ 592,000 | | $ 502,000 | |